

Message Text

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SUBJECT: PRINTING AND GRAPHIC ARTS TRADE MISSION

REF: NAIROBI 1734

SUMMARY: AFTER FURTHER MARKET RESEARCH, WE FIND IT DIFFICULT MAKE CLEAR-CUT DECISION ON PROSPECTS OF THIS TM. SUCCESS DEPENDS ON U.S. EQUIPMENT OFFERING SUFFICIENT TECHNOLOGICAL SUPERIORITY TO OFFSET HANDICAPS OF HIGHER PRICE AND EUROPEAN MARKET DOMINATION. PAPER SHORTAGE AND UNCERTAIN ROLE OF ASIAN ORIGIN KENYANS THIS MARKET ARE OTHER FACTORS. POST SUGGEST VISIT OF TECHNICAL EXPERT TO HELP DECIDE WHETHER POTENTIAL MARKET WARRANTS PROCEEDING WITH TM. END SUMMARY.

1. AS MENTIONED NAIROBI 1734 MARKET IS VERY NARROW AND FEW PRINTERS EQUIPPED TO HANDLE VOLUME MOST AMERICAN EQUIPMENT DESIGNED FOR. THE TWO MAJOR PRINTERS TEND TO BUY NEW EQUIPMENT DIRECTLY, FROM THE U.K. BASED ON THE RECOMMENDATIONS OF EXPATRIATE TECHNICAL ADVISERS. SALES TO THESE TWO COMPANIES WOULD REQUIRE MISSIONARY EFFORT TO POINT OUT TECHNICAL ADVANTAGES OF U.S. EQUIPMENT IN CONTRAST TO EUROPEAN EQUIPMENT BEING USED. DOUBTFUL IF APPRECIABLE MAKES OF MAJOR EQUIPMENT COULD BE CONCLUDED DURING SHORT TM VISIT BUT USEFULGROUND WORK COULD BE LAID FOR FUTURE SALES IF FOLLOWED UP PROPERLY. KENYA LITHO, ON MAJOR PRINTER, HAS JUST CONCLUDED MAJOR EXPANSION PROGRAM AND WANTS TO

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EXPAND BOOK PUBLISHING BUSINESS FOR EXPORT TO OTHER COUNTRIES OF AFRICA. BOOK PUBLISHING IS SEEN AS A MAJOR EXPANSION AREA BUT PAPER SUPPLY CONSTRAINT IS LIMITING FACTOR IN NEAR FUTURE.

2. ASIDE FROM THE TWO

MAJOR PRINTERS, ABOUT 90 PERCENT OF THE MARKET FOR PRESSES, BOTH OFFSET AND LETTER PRESS, IS HELD BY WEST GERMAN HEIDELBERG

PRESS THROUGH THEIR AGENT IN NAIROBI. HEIDELBERG HAS SEVERAL RESIDENT GERMAN TECHNICIANS WHO GIVE EXTENSIVE COURSES IN THE USE OF THEIR MACHINES AND PROVIDE MAINTENANCE SUPERVISION, BACKED BY A LARGE SPARE PARTS INVENTORY. THEIR AGENT, THE OLD EAST AFRICAN TRADING COMPANY, USES ITS EXTENSIVE CONTACTS WITH THE SECOND TIER PRINTEJS (SEE REFTTEL) TO SELL WHOLE RANGE OF ANCILLARY EQUIPMENT INCLUDING COLOR SEPARATION CAMERASBN LONG RUN PLASTIC PLATES, BINDING MACHINERY, COMPUTER TYPE-SETTING SYSTEMS, ETC. AMERICAN FIRMS WISHING TO BREAK INTO THE MARKET WOULD HAVE TO PROVIDE EQUIVALENT BACK UP SERVICES BUT STRONG POSITION OF HEIDELBERG HAS MADE IT IMPOSSIBLE TO DATE FOR OTHER COMPETITORS TO ATTAIN SUFFECIENT VOLUME TO SUPPORT THIS LEVEL OF BACK-UP SERVICE.

3. POST HAS SPENT MUCH TIME TRYING TO FIND PRODUCTS NOT REPRESENTED IN KENYA BUT FOUND EVERYTHING ON LIST RELEVANT TO THE INDUSTRY IN KENYA HAS EQUIVALENT EUPOPEAN PRODUCT HERE. AMERICAN EQUIPMENT NOT PRICE COMPETITIVE IN PAST. FUTURE SALES DEPEND ON AMERICAN EQUIPMENT OFFERING CLEARLY SUPERIOR TECHNICAL FEATURES AT COMPETITIVE PRICE.

4. AS COMPETITION WOULD BE ON THE TECHNICAL LEVEL WHICH POST CANNOT EVALUTE, NOT POSSIBLE TO MAKE DEFINITIVE MARKET POTENTIAL ASSESSMENT IN EACH AREA. THIS COULD ONLY BE DONE BY SOMEONE FAMILIAR WITH BOTH TECHNICAL ADVANTAGES OF AMERICAN EQUIPMENT AND PRICE RANGE. QUALIFIED PERSON, AFTER TALKING WITH PEOPLE HERE ABOUT TECHNICAL ASPECTS OF THE EQUIPMENT USED, COULD JUDGE ABILITY OF AMERICAN EQUIPMENT TO OFFER SUFFICIENT TECHNICAL SUPERIORITY AND/OR PRICE ADVANTAGE TO BREAK INTO RATHER NARROW KENYA MARKET TRADITIONALLY ORIENTED TOWARDS EUROPEAN EQUIPEMNT.

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TM WE CONCLUDE, IN GENERAL, THAT THERE SHOULD BE POTENTIAL FOR SOME AMERICAN EQUIPMENT HERE AS THE MARKET IS LARGE ENOUGH TO

ABSORB ADDITIONAL SUPPLIERS. THEMES CONSTANTLY REPORTED IN INTERVIEWS ARE: (A) THE PAPER SHORTAGE AND (B) UNCERTAINTY OF THE ASIAN PRINTERS ABOUT THEIR FUTURE RESULTING IN POSTPONEMENT OF MAJOR EXPANSION PLANS. IT WOULD SEEM THAT THIS SITUATION WOULD NOT MAKE A LARGE MISSION VIABLE IN TERMS OF SALES

AT TIME OF VISIT BUT INTRODUCTION TO AMERICAN EQUIPMENT
AND OPPORTUNITY FOR DISCUSSION OF TECHNICAL ADVANTAGES
MAY MAKE MISSION WORTHWHILE AS A MISSIONARY EFFORT TO
LAY GROUND WORK FOR FUTURE SALES WHEN THESE TWO CURRENT
RESTRAINTS ARE LESS DOMINANT.

6. IF FEASIBLE, THE POST RECOMMENDS SOMEONE WITH TECHNICAL
EXPERTISE IN THE PRINTING INDUSTRY VISIT KENYA AND MAKE A DEFINITIVE
JUDGEMENT ABOUT THE POSSIBILITY OF AMERICAN EQUIPEMNT HERE
BEFORE A GO/NO-GO DECISION ON THE TRADE MISSION TO KENYA IS MADE.

7. MARKET STATISTICS: (SOURCE: EAST AFRICAN CUSTOMS)

PRINTING AND BOOKBINDING EQUIPMENT (SITC 718.200) ONLY
CATEGORY LISTED. LOCAL PRODUCTION NIL. TOTAL 1973
IMPORTS WERE DOLS 1,514,000, AS FOLLOWS:

GERMANY	453,000
7.K.	390,000
ITALY	245,000
SWEDEN	121,000
NETHERLANDS	110,000
U.S.A.	36,000
OTHERS	159,000

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